

Message Text

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R 271120Z SEP 74

FM AMEMBASSY NICOSIA

TO SECSTATE WASHDC 0137

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E.O. 11652: NA

TAGS: EGEN CY

SUBJ: GOC OUTLINES ECONOMIC CONSEQUENCES OF TURKISH INVASION

BEGIN UNCLASSIFIED

1. GOC HAS ISSUED SUMMARY OF PLANNING BUREAU REPORT OF ECONOMIC CONSEQUENCES OF TURKISH INVASION. MAIN POINTS FOLLOW:

A. THE INVADING FORCES HAVE OCCUPIED AN AREA HOUSING 36.2PCT. OF ISLAND'S POPULATION. MANY OF THE ESTIMATED 50,000 HOUSEHOLDS IN OCCUPIED AREA HAVE BEEN DESTROYED. HOUSEHOLD MOVABLE PROPERTY LOST IS ESTIMATED AT CYPRUS POUNDS 100 MILLION.

B. GOODS LEFT IN WAREHOUSES, FIELDS, SHOPS ETC., AMOUNT TO MANY MILLION. FOR EXAMPLE GOODS WORTH TEN MILLION CYPRUS POUNDS STORED IN FAMAGUSTA HARBOUR WERE LOOTED.

C. AGRICULTURE, EMPLOYING 96,000 PEOPLE, SUFFERED A HEAVY BLOW. PLANT PRODUCTION OF OCCUPIED AREA IN 1972

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WAS 46PCT. OF THE TOTAL. BY CROPS: CITRUS 80PCT.,

CEREALS 79PCT., OLIVES 45PCT., POTATOES 25PCT., TOBACCO 100PCT., CARROTS 86 PCT., OTHER VEGETABLES 32PCT., GREEN FODDERS 65PCT., CAROBS 30PCT., AND LIVESTOCK PRODUCTION 47 PCT. AGRICULTURAL INVESTMENT WAS ALSO GREATLY AFFECTED. ASSETS IN MACHINERY AND IMPLEMENTS ESTIMATED AT 7.5 MILLION CYPRUS POUNDS WERE LOST IN OCCUPIED AREA. MOREOVER, 80PCT., OF ISLAND'S CITRUS PLANTATIONS FACE COMPLETE DESTRUCTION DUE TO LACK OF IRRIGATION AND IT WILL TAKE ABOUT TEN TO TWELVE YEARS UNTIL NEW TREES GIVE FRUIT. FORESTS ALSO SUFFERED SERIOUS DAMAGE. ABOUT HUNDRED SQUARE MILES OF THE HIGH DENSITY PAPHOS FOREST HAS BEEN DESTROYED (42.4 PCT., OF TOTAL GROWING STOCK).

D. IN MANUFACTURING, OUTPUT LEVEL WILL BE REDUCED BY 50PCT. INDUSTRIES NOW UNDER TURKISH OCCUPATION INCLUDE MEAT PREPARATIONS AND DAIRY INDUSTRIES, EXPORT ORIENTED CANNING PLANTS IN FAMAGUSTA AND MORPHOU, GRAIN MILLING AND BISCUIT FACTORIES, THE MAJOR OLIVE OIL AND VEGETABLE OIL PLANTS, CAROB KIBBLINGS AND FODDER FACTORIES, TEXTILE, FOOTWEAR AND CLOTHING UNITS, ALMOST ALL BRICK PLANTS AND SOME MOSAIC PLANTS, ALL LIME PRODUCING PLANTS, ONLY STEEL PIPES PLANT AND THE PLASTICS INDUSTRY IN FAMAGUSTA.

E. ASSETS OF A TOTAL VALUE OF 7.6 MILLION CYPRUS POUNDS BELONGING TO ELECTRICITY AUTHORITY OF CYPRUS ARE IN OCCUPIED AREAS. NEARLY 60,000 CONSUMERS (CONTRIBUTING ANNUALLY 2.7 M CPOUNDS) HAVE BEEN DISPLACED.

F. IN MINING INDUSTRY 56PCT., OF PRODUCTION ORIGINATED FROM OCCUPIED AREA. QUARRYING IS MOST SEVERELY HIT. PRODUCTION OF CONSTRUCTION MATERIALS WILL DECLINE BY 76PCT.

G. IN TOURISM VALUABLE INVESTMENT HAS BEEN DESTROYED. FUTURE ECONOMIC LOSS IN TERMS OF INCOME IS ESTIMATED AT NOT LESS THAN 100 MILLION CPOUNDS. OCCUPIED AREA INCLUDES 82PCT., OF TOURIST ACCOMMODATION CAPACITY, LIMITED OFFICIAL USE

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96PCT., OF BEDS IN HOTELS UNDER CONSTRUCTION, 73 PCT., OF TOTAL INVESTMENT IN ACCOMMODATION, AND 40 PCT., ANCILLARY INVESTMENT.

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H. MAIN DEEPWATER PORT OF FAMAGUSTA (83PCT., OF CARGO HANDLED), AND SPECIALISED KARAVOSTASSI PORT (76PCT., OF MINERALS EXPORTED) ARE NOW UNDER OCCUPATION.

I. NICOSIA AIRPORT CLOSURE CAUSES MONTHLY LOSS OF 90,000 CPOUNDS IN REVENUE. AIRCRAFT DESTROYED OR DAMAGED BY ENEMY BOMBING (CYPRUS AIRWAYS) WORTH 2.7 M CPOUNDS. POSSIBLE LOSSES TO THE COMPANY UNTIL END OF YEAR 4. MILLION CPOUNDS.

J. ROADS. 43PCT., OF ROAD CAPACITY (34 MILLION CPOUNDS REPLACEMENT COST) UNDER OCCUPATION.

K. EDUCATION. 41PCT., OF ELEMENTARY AND SECONDARY SCHOOL CHILDREN DISPLACED, 42PCT., OF SCHOOL BUILDINGS EITHER OCCUPIED OR UNSAFE.

L. HEALTH. TWO OUT OF SIX MAJOR DISTRICT HOSPITALS (TOTAL BED CAPACITY 151) IN OCCUPIED AREAS. ALSO 8 OUT OF 17 RURAL HEALTH CENTERS (45.7PCT., OF TOTAL BED CAPACITY).

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2. REPORT CONCLUDES THAT QUOTE ISLAND CANNOT BE SUBDIVIDED ON RACIAL, CULTURAL OR ECONOMIC GROUNDS EXCEPT BY ENTIRELY ARBITRARY MEANS WHICH WILL AMOUNT TO STRANGULATION OF ITS ECONOMY AND CONDEMNATION OF ITS PEOPLE TO ETERNAL UNDERDEVELOPMENT. UNQUOTE.
END UNCLASSIFIED.

BEGIN LOU.

3. COMMENT: FOLLOWING EMBASSY'S INITIAL COMMENTS ON GOC PLANNING BUREAU'S REPORT. OUR DETAILED ANALYSIS OF ECONOMIC EFFECTS OF TURKISH INVASION AND FUTURE PROSPECTS WILL BE SUBJECT OF SEPTEL.

A. THE STATISTICS AND PERCENTAGES RECITED IN THIS REPORT ARE A GENERALLY ACCURATE REFLECTION OF THE ECONOMIC IMPLICATIONS OF STATUS QUO IN CYPRUS. THEREIN LIES THEIR WEAKNESS--THEY ARE PRODUCT OF PLANNING BUREAU STATIC ECONOMIC ANALYSIS, WHICH IGNORES POTENTIAL EFFECT ON STATUS QUO OF POLITICAL, SOCIAL AND ECONOMIC FORCES. WHILE STATISTICS ARE NOT POLITICAL, STYLE OF ANALYSIS IS.

B. NEVERTHELESS, THERE ARE IMPORTANT OMISSIONS, OVERSIMPLIFICATIONS, AND UNSUBSTANTIATED ASSUMPTIONS: 1) MOVEABLE PROPERTIES LEFT BEHIND DO NOT NECESSARILY REPRESENT A PERMANENT LOSS, EVEN IN ABSENCE OF A POLITICAL SOLUTION ACCEPTABLE TO GOC; 2) DESTRUCTION AND DAMAGE SUFFERED BY CYPRUS AIRWAYS FLEET IS COVERED BY WAR RISK INSURANCE; 3) WHILE 56PCT., OF MINING AND QUARRYING PRODUCTION MAY ORIGINATE IN TURK-CONTROLLED ZONE, THE 64 PCT., LEFT WITHIN GOC-CONTROLLED CYPRUS REPRESENTS MOST OF ISLAND'S HIGH VALUE COPPER, IRON PYRITES AND ASBESTOS PRODUCTION CAPACITY. TO PUT THESE FIGURES IN PERSPECTIVE, IT SHOULD BE RECALLED THAT CYPRUS HAS ALWAYS BEEN AN IMPORTING NATION, WITH IMPORT BILL GENERALLY EQUAL TO SOME 47PCT., OF GNP AND IMPORTS 2 1/2 TIMES GREATER THAN EXPORTS. IT IS NOT INDUSTRIAL SELF-SUFFICIENCY WHICH HAS BEEN LOST.

C. CONCLUDING PARAGRAPH OF REPORT REFLECTS DEEPLY-HELD CONVICTION OF PLANNING BUREAU DIRECTOR THAT CYPRUS CANNOT SURVIVE WITHOUT THE PRESERVATION OF LIMITED OFFICIAL USE

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ITS INTEGRATED ECONOMY. OTHER GOC ECONOMIC OFFICIALS HOLD MORE PRAGMATIC VIEWS AND PRIVATELY ENVISION RECONSTRUCTION OF A VIABLE GREEK CYPRIOT ECONOMY. END LOU.
CRAWFORD

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